Multi-Generation Agencies…

Each Has Its Own Unique Set Of Advantages And Disadvantages

Vicki, Dave, Dale, Fran and George Chittenden.

The Chittendens
Phoenix, AZ

George and Fran Chittenden moved from North Sebago Lake, ME, to Tempe, AZ, in August 1972. George was an agency vice president at Union Mutual Life Insurance Company when Fran was incorrectly diagnosed with emphysema in 1971. Her doctors suggested that she move to a dryer climate. George and Fran had visited Arizona, and though Phoenix was a far cry from the rural lakeside life they had in Maine, they decided to pick up and move, based on the doctor's advice.

Since Arizona schools started in August and they still had two kids at home (David about to start his junior year in high school, and Dale, who was entering eighth grade), the family moved to Tempe the week before school started.

George continued at Union Mutual through the end of the year. Then, in January 1973, with a few dollars of savings and the promise of some support from Union Mutual, George opened his office with a part-time secretary. In a new town, far from his business contacts, George started a disability and life brokerage business from scratch, promoting Union Mutual products—"The Chittendens" was born.

What quickly became apparent was that a one-insurance-company approach to brokerage was not going to provide the financial resources that George and Fran hoped to achieve. So, in July 1973, Fran started an independent brokerage company, GFSC, Inc., in order to be able to contract with multiple insurance companies and provide additional quality products to brokers. This multi-company, multi-product line approach has been one of the key strengths of The Chittendens over the years and has allowed them to survive some of the catastrophic changes in the insurance markets.

David worked in the family business during summer breaks and part-time while going to college. He joined the agency full time upon graduation from college in May 1978 and is currently president and CEO of the organization.

George and Fran's oldest son, George Alan, moved from Texas, where he was a computer programmer, to join the business in May 1978. George Alan's computer skills were very helpful in moving the company from the calculator, yellow pad and typewriter days to computerized proposals and records. However, George Alan tired of the frustrations of the brokerage business and left the agency to go into personal production in August of 1986.

George and Fran's youngest son, Dale, left Arizona upon graduation from high school to attend the Coast Guard Academy. He spent 10 years chasing bad guys around the Caribbean before he decided to move back and join the family business in September 1991. Dale brought his military training and leadership experience to the agency and is currently vice president of the organization.

David's wife, Vicki, started working part-time in the agency in October 2002 and takes care of the financial side of the business.

George and Fran reduced their activity in the agency over the years and "officially" retired in July 2005 after 32 1/2 years in the brokerage business.

Bill, Scott and William Simpson.

Life Insurance Services, Charlotte, NC

The first generation of Simpsons—William Simpson, FSA—was part of the insurance industry for 71 years. He began his career in the life insurance business as an actuary for Sun Life of Canada. He was 16, and had just graduated from Mount Allison College, Montreal, Canada. A few years later he joined Acacia and stayed until he retired and then took a position with the U.S. Government Accountability Office, where he was still working when he was killed in a car accident at the age of 87.

While in college William H. (Bill) Simpson spent four summers working at Acacia Mutual, where his father was chief actuary. The insurance industry was a natural fit for him, so he joined Acacia Mutual in 1957 as a premium accounting supervisor.

Active duty in the Air Force Reserve took Bill overseas as a medic in 1961, but upon his return the next year he was hired by American Capital. Then, in May 1965, Bill joined Fidelity Bankers Life of Richmond as vice president of underwriting. It was there that he met Paula Scott, a recent business school graduate, working in the chief administrator's office. Three years later they were married, and that same year Bill was promoted to vice president of brokerage sales, a newly created position at Fidelity Bankers.

After teaching others how to do brokerage sales for three years, he decided to open his own agency. Bill and Paula decided to move their family (by then they had two children) to Charlotte, NC, for this new business venture—Life Insurance Services, LLC. Paula concentrated on raising the two children, while Bill got his company up and running. In 1981 Paula came on board full time at Life Insurance Services.

William S. (Scott) Simpson joined the agency full time in 1990 after spending two years at Western Carolina University. His original plan was to become a police officer after he left college, but his father offered to pay him the same amount of money he would get as a police officer to join the family business. Bill, being the salesman that he was, asked Scott how long it would take him to be a captain—he then added, in five years if you are not making the same amount of money as a captain by working here, then you can leave and join the police department. The decision was made.

On his first day of work, Bill told Scott that he would spend at least one year doing every job in the agency so that when the day came for him to take it over, he would understand what it takes to get each job done and how important each position is to the whole.

Bill officially retired from full time work at Life Insurance Services in 2007, and Scott is now running the company.

THOMAS M. HARPER PHOTOGRAPHY

James Kelly, Craig, Jerry, Mike and Dave Thomas.

J.L. Thomas & Co. Cleveland, OH

The Thomas family has had four generations in the insurance business. Willis B. Thomas was a Prudential agent for 38 years. His son Jerry L. Thomas, after proudly serving his country during World War II and graduating from the University of Pennsylvania's Wharton School of Business, began his life insurance career in 1950 as an agent with Prudential. It so happens that Jerry's economics and insurance professor was Dr. Solomon Huebner, founder of The American College. Jerry obtained his CLU designation in 1953.

In 1962 Jerry was recruited to manage the Acacia Mutual Life office in Cleveland, OH, and he was there until 1964 when he became the brokerage manager for State Mutual Life. In 1969 Jerry started a brokerage agency from scratch. He eventually bought his partner out and renamed the company J.L. Thomas & Co., Inc. Jerry retired in 1990 and just recently passed away.

J. Michael (Mike) Thomas was the first member of the next generation to join the life insurance industry. After college, in 1974, Mike began his insurance career with Northwestern Mutual Life. He joined the family business in 1975 and has since received the CLU designation. He is well known in the insurance community not only for his knowledge of impaired risk underwriting, but also for his commitment to the industry through affiliate associations. He is a past president of the local life underwriters association and is a member of several national insurance organizations.

David D. (Dave) Thomas started in the life insurance business with General American Life after college in 1977. His industry designations include CLU and ChFC, as well as MSFS. In 1982 he joined his father and brother in the family business. His area of expertise is business and estate analysis, and he often assists agents in their sales presentations. Dave is a past president and board member of the Cleveland Chapter of the American Society of CLU and ChFC.

Craig W. Thomas joined a mechanical contracting company as controller after graduating from college. He came on board with his father and brothers in 1979. Craig oversees the commission and licensing departments as well as computer operations, information technology and real estate management.

James X. Kelly, LUTCF, who is married to Jane Thomas Kelly, joined the company in 1989 and works in the sales and marketing department.

In January 2010 the third generation joined J.L. Thomas & Co. After graduating from the Ohio University business school, Jerry C. Thomas (son of Craig) came to work in the sales and marketing department.

Q ***If you were writing a family business leadership handbook, what is the most important issue that you would include in it?***

Simpson: Respect each other! I say this because I did not respect my father's business acumen in the beginning. When sons or daughters come into a family business, there must be a mutual respect of the employee/employer relationship, putting aside the family feelings.

Thomas: In a family business, reputation is everything, so high standards must be emphasized—honesty and integrity. Knowledge is another important factor—there must always be research—never guess at anything or make up an answer—knowledge is king. Last, but not least, is that everyone must work hard and work smart and make the most of the resources available to them.

There is great opportunity for growth in the brokerage business when everyone is working toward the same goals.

Chittendens: The number one rule in the family business leadership handbook needs to be an understanding that conflicts with other family members will be aired, addressed and resolved immediately.

As you might guess, a family business has its own unique set of advantages and disadvantages. One of the great advantages is that family employees are generally very loyal to the business and have an inherent (so to speak) esprit de corps. This can be a very valuable asset to draw upon from time to time.

In a non-family business, taking your personal issues to the office and taking your office issues home are not a good idea. One of the great disadvantages of a family business is that the lines of a personal issue and an office issue tend to blur. In addition to the blurred lines, you never get away from them. That family member you are unhappy with for whatever reason is always there. So it is not just at Thanksgiving for half a day that you are forced to deal with them—it is constant.

Thus, conflict resolution in a family business has to be very intentional. Letting things brew in hopes that they will just go away tends to backfire and becomes a cancer that impacts not only the family dynamics but the business dynamics. This forces the conflict to be communicated and discussed. While not all conflicts are easily solved, you might be surprised how many of them can be solved just through communication.

The ones that are not so easily solved do much less harm to the family and/or the family business when they are communicated and addressed head on. It is not always easy, but the alternative of letting it fester never has a good result.

Q ***In your opinion, what is the best way to deal with conflict, succession and ownership issues in a family business?***

Thomas: Conflict in a family business can erupt suddenly and unexpectedly over almost any issue. At J.L. Thomas & Co. we always attempt to remember that we are in this "mess" together and we are not each other's enemies. We believe that the "mess" is the opportunity to build on our already solid foundation—to make the most out of conflict by becoming more efficient and learning that together we can do so much more than apart. Yet we all have to communicate empathetically and know when to back off.

The business is so much more than a job—it is a way of life. And not many people have the opportunity of working through life with their father, brothers and sons.

Chittendens: This is an age-old question that has an age-old answer: The first step is to do some personal reflection to make sure you understand what is causing the conflict. The second step is to go privately to the person you have a conflict with and try to solve it between the two of you. If that does not solve the issue, the third step is to involve other family members to help the two of you confront the issue and come to some resolution.

One major source of conflict in all businesses is the succession of the business management from one generation to the next. In a family business the tension is multiplied by the family issues.

Simpson: My answer is the same as for the previous question—respect. Early on when my father and I had business disagreements, he showed more respect for me than I did for him. He would always ask me into his office, close the door and explain to me why I was wrong. As the years passed and my knowledge of the business grew, we would settle any disagreements with a discussion. We both eventually realized that every person solves problems differently; and while we are a lot alike, we occasionally took different approaches to arrive at the same point.

I was very lucky to have seen my father almost every day of my life until I was 40, at which time he retired. He is alive and well, but I miss seeing him every day because he is my greatest friend and business partner.

Currently, our agency is not a multi-generational business. We are a second generation business. However, David has four children ranging in age from 19 to 26, and Dale has three children ranging in age from 17 to 24. While none of the third generation have committed to working in the business at this time, with seven young adults in that generation all living in the Phoenix area, can it be very long before we are a multi-generational agency once again? Only time will tell.

Q

What should be considered when setting up a succession plan?

Chittendens: Generally, when you bring in the next generation it is possible to set up areas of expertise and have the different family members running different parts of the business. The tension can build as the most senior generation starts to retire and a new leader is named from the next succeeding generation.

Succession planning is best handled when it is decided and communicated years in advance so that there are no big surprises. Also, the advanced planning allows for a smooth transition should the succession be untimely due to death or disability.

The right plan depends on the family dynamics. We have seen successful second generation managed family companies that have a single leader as well as ones that have a management team. The key is to have a communicated plan.

Simpson: Succession is a necessary part of any business—but particularly when multiple generations of one family are involved. If there are multiple children, equalizing an estate is the most important consideration, particularly if some of the children are not in the family business. You must particularly take into consideration the children working in the business who have increased its value. If there are multiple children in the family business, an important consideration is how to choose which child will run the business. The approach my father took when I was taking over the leadership of the company was to make the transition more lengthy. Over the four-year transition period, the staff and broker base had enough time to be comfortable with the leadership change.

Bottom line, what I'm saying is you must take into consideration every aspect that you would if you were selling your agency to an outsider—and then factor in family ties. It isn't simple, but family relations seldom are!

Thomas: Obviously, a succession plan is critical to the ongoing success and value of a family business. Once the agreement on current and future ownership is in place, family members are afforded the luxury of focusing on the day-to-day activities of running the business and not worrying about their future.

Family dynamics are critical because succession planning is an ongoing process. Individual goals and values are constantly changing in addition to business conditions, tax laws, etc. Bottom line, a family just has to work together so that when the time comes, the next generation is ready to lead.

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